



Michigan Forest Products Council

Business Advocacy for the Forest Products Industry

**PROJECTED IMPACTS OF PRIVATE
LANDOWNER ASSISTANCE
PROVISIONS OF THE
MI FOREST LEGISLATIVE PACKAGE**

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Introduction

The effect of increased fiber availability due to the private landowner assistance provisions of the MI Forest Legislative package present a significant economic opportunity for Michigan residents and businesses involved with the forest products industry.

As the number two manufacturing sector, behind the automotive industry, the forest products industry currently brings over \$12 billion of economic value to the state of Michigan while also providing over 150,000 jobs (or one out of every ten manufacturing jobs) to Michigan residents. Despite this significant contribution, the forest products industry is in crisis as mills realign and close, jobs are lost, and potential revenue is foregone. The private landowner assistance provisions of the MI Forest Legislative Package will encourage private forest landowners to keep their properties in a sustainable land use while providing increased fiber supply to Michigan's forest products industry – a step that is necessary to promote continued growth of this key Michigan industry.

Results

Based on enrollment scenarios of one to five million acres, rotation lengths of 40 and 50 years, and harvest levels of 0.75-cord per acre per year, the net economic impact to the state and local units of government is between **\$3.1 and \$19.7 million** annually (Table 1). When discounting these values at a rate of seven percent (while holding stumpage constant), we see a projected annual economic impact of between **\$94.8 and \$572 million** over a 40 to 50 year period (Table 1). While these projections vary widely the economic bottom line is that this legislative package has the potential to provide a boost to forest industry-based revenue in communities that may be highly dependent on this sector, and has the potential to change supply-side market forces that are currently keeping stumpage disproportionately high throughout Michigan and the lake states region.

These projections are conservative, as they do not consider savings on the cost of development realized through minimizing land fragmentation, nor do they account for increased consumer spending due to landowner timber sale revenues and tax relief, which constitute approximately 2/3 of the gross state product (GSP).

Methodology

An economic model was developed to examine potential impacts of this legislation under several scenarios. Scenarios were developed assuming enrollment of one million, two million, and five million acres (A, B, and C, respectively) under 40 and 50 year rotation periods with an assumed harvest level of 0.75-cord per acre (statewide average private landowner fiber surplus). The model output was the economic value of proposed timber sales under each scenario. Values for projected value of shipments, projected contribution to Michigan's GSP, and the projected economic value added to the state were developed utilizing previously observed relationships between these statistics developed from the MFPC's industry economic trends report.

Table 1. Impact of Private Landowner Assistance on Forest Products Economy

Scenario	Low Enrollment			Moderate Enrollment			High Enrollment		
	40	50		40	50		40	50	
Rotation Length (Years)	1	1		2	2		5	5	
Million Acres Enrolled	0.75	0.75		0.75	0.75		0.75	0.75	
Cords Harvested/Acre/Year									
Results (2005 Dollars)									
Annual Economic Value of Timber Sale	\$ 515,625.00	\$ 412,500.00		\$ 1,031,250.00	\$ 825,000.00		\$ 2,578,125.00	\$ 2,062,500.00	
Projected Annual Value of Shipments/Year	\$ 1,120,923.91	\$ 896,739.13		\$ 2,241,847.83	\$ 1,793,478.26		\$ 5,604,619.57	\$ 4,483,695.65	
Projected Annual Contribution to GSP	\$ 1,611,328.13	\$ 1,289,062.50		\$ 3,222,656.25	\$ 2,578,125.00		\$ 8,056,640.63	\$ 6,445,312.50	
Projected Annual Value Added	\$ 3,947,753.91	\$ 3,158,203.13		\$ 7,895,507.81	\$ 6,316,406.25		\$ 19,738,769.53	\$ 15,791,015.63	
Results (Discounted 2005 Dollars)									
Economic Value of Timber Sale (Rotation Length)	\$ 6,874,162.37	\$ 5,692,807.85		\$ 13,748,324.74	\$ 11,385,615.69		\$ 34,370,811.86	\$ 28,464,039.23	
Projected Value of Shipments (Rotation Length)	\$ 14,943,831.24	\$ 12,375,669.23		\$ 29,887,662.49	\$ 24,751,338.46		\$ 74,719,156.22	\$ 61,878,346.16	
Projected Contribution to GSP (Rotation Length)	\$ 46,699,472.64	\$ 38,673,966.35		\$ 93,398,945.27	\$ 77,347,932.69		\$ 233,497,363.18	\$ 193,369,831.74	
Projected Value Added (Rotation Length)	\$ 114,413,707.96	\$ 94,751,217.55		\$ 228,827,415.92	\$ 189,502,435.10		\$ 572,068,539.79	\$ 473,756,087.75	